

**Forms and Publications for the New
Education and Retirement Tax Provisions
Were Addressed for the 2003 Filing Season**

April 2003

Reference Number: 2003-40-105

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

April 29, 2003

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Forms and Publications for the New
Education and Retirement Tax Provisions Were Addressed for
the 2003 Filing Season (Audit # 200240062)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) identified the new tax law provisions that had a significant impact on Wage and Investment (W&I) taxpayers and ensured that tax forms, instructions, and publications related to these new provisions were clearly and accurately updated for the 2003 Filing Season.¹ The audit focused on the education and retirement provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).² These provisions could affect an estimated 86.5 million taxpayers³ by providing tax benefits of up to \$7.6 billion in Fiscal Year 2003.⁴

Overall, the IRS successfully identified and controlled the new education and retirement provisions of the EGTRRA and ensured the tax forms, instructions, and publications related to these provisions were clearly and accurately updated for the 2003 Filing Season. The IRS properly revised 22 of the 23 items we reviewed that were changed as a result of the education and retirement provisions of the EGTRRA. However, one publication omitted revisions related to the new education provisions.

The publication, *Net Operating Losses (NOLs) for Individuals, Estates, and Trusts* (Publication 536), did not reflect the new tuition and fees deduction. This deduction must be included to correctly recalculate the amount of the NOL carryover to a

¹ The period from January through mid-April when most individual income tax returns are filed.

² Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, 115 Stat. 38 (2001).

³ National Center for Education Statistics, Projections of Education Statistics to 2012, May 2002, and United States Selected Income and Tax Items 1040, 1040A, and 1040EZ, Report Number R-S-92, January – September 2002.

⁴ Congressional Budget Office, *Pay-As-You-Go Estimate*, June 4, 2001.

subsequent year. The omission of this update to the Publication 536 will not affect taxpayers who claim NOLs for Tax Year (TY) 2002 returns or who carry back NOLs to prior years, since the tuition and fees deduction was not available in prior years. However, this omission will affect those taxpayers who carry forward NOLs to TY 2003 and claim a tuition and fees deduction in TY 2002. It will also affect these taxpayers in future years if the NOL is not fully used in TY 2003.

Since many taxpayers depend on the IRS publications each year and expect them to be reliable and accurate, we recommended the Commissioner, W&I Division, ensure that Publication 536 is updated to reflect the new tuition and fees deduction.

Management's Response: IRS management agreed with our recommendation and has already updated Publication 536 to reflect the new tuition and fees deduction. In addition, the IRS notified the Taxpayer Assistance Centers of the correction to ensure taxpayers were provided with the correct information on NOLs. Management's complete response to the draft report is included as Appendix VII.

Copies of this report are also being sent to the IRS managers who are affected by the report. Please contact me at (202) 622-6510 if you have questions or Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 927-0597.

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Forms and Publications for the New Education and Retirement Tax Provisions Were Addressed for the 2003 Filing Season

Background

Each year, the Internal Revenue Service (IRS) faces the challenge of incorporating new tax legislation into many of its publications and processes. Implementing new legislative changes becomes more challenging when there are numerous provisions with effective dates that extend over several years. An example of this is the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA),¹ which contains 85 major provisions that will require 441 changes to the Internal Revenue Code² effective over a 10-year period.

For Tax Year (TY) 2002, two EGTRRA provisions will have a significant effect on individual taxpayers.³ These are Title IV, Affordable Education Provisions, and Title VI, Pension and Individual Retirement Arrangement (IRA) Provisions. These two provisions included changes to education savings accounts, qualified tuition programs, and IRAs. In addition, they create a new tuition and fees deduction and a new retirement savings contribution credit.⁴ TY 2002 changes to education and retirement provisions were considered significant because they could affect an estimated 86.5 million taxpayers⁵ by providing tax benefits of up to \$7.6 billion in Fiscal Year (FY) 2003.⁶

Controlling the overall implementation of new tax legislation, such as the EGTRRA, is the responsibility of the IRS' Office of Tax Administration Coordination (OTAC). The OTAC coordinates with IRS functional areas to identify and control the changes that are necessary to implement new legislation. An important element within these required

¹ Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, 115 Stat. 38 (2001).

² Title 26 of the United States (U.S.) Code.

³ Individual taxpayers are non-business taxpayers who file U.S. Individual Income Tax Returns (Forms 1040, 1040A, or 1040EZ).

⁴ See Appendix V for the EGTRRA education and retirement provisions.

⁵ National Center for Education Statistics, Projections of Education Statistics to 2012, May 2002, and U.S. Selected Income and Tax Items 1040, 1040A, and 1040EZ, Report Number R-S-92, January – September 2002.

⁶ Congressional Budget Office, *Pay-As-You-Go Estimate*, June 4, 2001.

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changes is the revision of various tax forms, instructions, and publications (i.e., tax products).

Annually, the IRS must revise or create new tax products to implement new legislation. The IRS function responsible for tax products is the Tax Forms and Publications Division. Tax law specialists in this function are assigned specific tax products and are responsible for interpreting the tax law, determining the changes needed, and making the changes that the Congress intended in the legislation.

We conducted this review from August 2002 through January 2003 with IRS executives and personnel in the Wage and Investment (W&I) Division in Atlanta, Georgia; the Submission Processing Headquarters in New Carrollton, Maryland; and both the Tax Forms and Publications Division and the OTAC in the National Headquarters in Washington, D.C. This audit was conducted in accordance with *Government Auditing Standards*. Detailed information on the audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

New Education and Retirement Provisions Were Adequately Controlled and Related Tax Products Were Accurately Updated

Overall, the IRS successfully identified and controlled the new education and retirement provisions of the EGTRRA and ensured the tax products related to these provisions were clearly and accurately updated for the 2003 Filing Season.⁷

Coordination between the OTAC and other IRS functional areas identified 779 actions⁸ required to effectively implement changes for the EGTRRA provisions that become effective between TYs 2002 and 2011. These actions were controlled on the OTAC's Legislative Implementation Tracking System. We determined that 100 of the 779 actions were related to the education and retirement provisions effective for TY 2002. In addition, most of these 100 actions pertained to revisions to tax

⁷ The period from January through mid-April when most individual income tax returns are filed.

⁸ "Action Items" on the OTAC Legislative Implementation Tracking System as of September 26, 2002.

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forms, instructions, and publications affected by these provisions.

To manage the tax form and publication development process, the Tax Forms and Publications Division uses a system called the Tax Forms and Publications Oracle Program Tracking System. This Oracle program tracks milestone dates, computes taxpayer burden, and tracks legislation implementation plans for more than 800 forms and publications.

Analysis of both the OTAC tracking system and the Tax Forms Oracle system identified 71 specific actions that were required to revise tax products for the education and retirement provisions that affect W&I taxpayers. These 71 specific actions included changes to 23 separate tax products (7 forms, 7 instructions, and 9 publications). Examples of these specific actions included the 2002:

- U.S. Individual Income Tax Returns (Form 1040 and 1040A) and instructions to reflect the new line for the deduction for tuition and fees.
- Form 1040 and Form 1040A instructions to reflect changes in the student loan interest deduction.
- Form 1040 and Form 1040A instructions to reflect the increase in the IRA contribution limit.

In addition to the changes to the Form 1040, Form 1040A, and instructions, we identified four existing tax forms that required changes and one new form that was created:

- Investment Credit (Form 3468).
- Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts (Form 5329).
- Nondeductible IRAs (Form 8606).
- Education Credits (Form 8863).
- Credit for Qualified Retirement Savings Contributions (Form 8880).

Taxpayer burden computations showed the number of taxpayers that could be affected by the changes and the

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estimated time it would take them to prepare these forms. For example, it is estimated that 1 million taxpayers will require approximately 1 hour and 19 minutes to prepare the new Form 8880.

Taxpayer Burden Computations

Form	3468	5329	8606	8863	8880
Estimated Number of Taxpayer Respondents	22,573	1 Million	1.8 Million	12 Million	1 Million
Estimated Time per Response ⁹	20 hours and 26 minutes ¹⁰	56 minutes	1 hour and 21 minutes	1 hour and 6 minutes	1 hour and 19 minutes

Source: IRS Special Programs Branch, Tax Forms and Publications Division.

The revisions to each of the 23 tax products¹¹ must be consistent with the statute enacted by the Congress. Comparison of each tax product with the EGTRRA education and retirement provisions determined that 22 of the 23 tax products were properly revised. However, one publication omitted revisions related to the new education provisions.

The Net Operating Loss Publication Was Not Updated for the New Tuition and Fees Deduction

When a taxpayer's deductions for the year exceed income for the year, a net operating loss (NOL) could result. The publication, *Net Operating Losses (NOLs) for Individual, Estates, and Trusts* (Publication 536), was designed to assist taxpayers in determining whether they have an NOL, how to calculate and claim a deduction, and how to calculate a carryover deduction to another tax year if necessary.

Review of the Publication 536 determined that it had not been updated to reflect the new tuition and fees deduction included in the EGTRRA. This deduction must be included to correctly recalculate the amount of the NOL carryover to a subsequent year. The omission of this update to the Publication 536 will not affect taxpayers who claim NOLs on their TY 2002 returns or who carry back NOLs to prior

⁹ This time includes record keeping, learning, and preparing.

¹⁰ It is estimated that over 12 hours of this time is for record keeping.

¹¹ See Appendix VI for a listing of the tax products reviewed.

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years, since the tuition and fees deduction was not available in prior years.

The action plans from the OTAC tracking system and the Tax Forms Oracle system indicated that Publication 536 and other publications needed to be revised to reflect the new tuition and fees deduction. Updates to the applicable sections of the Publication 536 were considered; however, a decision to omit these updates was made because the corresponding section for the NOL form, Application for Tentative Refund (Form 1045), was not being revised to reflect the same information.¹² Other publications were correctly updated with this information.

The omission will affect those taxpayers who carry forward NOLs to TY 2003 and claim a tuition and fees deduction in TY 2002. It will also affect these taxpayers in future years if the NOL is not fully used in TY 2003. Although this omission may affect only a small number of taxpayers, it is essential that all IRS publications be accurate and reliable since many taxpayers depend on them for tax guidance each year.

Recommendation

1. The Commissioner, W&I Division, should ensure Publication 536 is properly updated to reflect the new tuition and fees deduction.

Management's Response: The IRS agreed with our recommendation and has already updated both the 2002 and 2003 versions of Publication 536 to reflect the new tuition and fees deduction. In addition, the IRS notified the Taxpayer Assistance Centers of the correction to ensure taxpayers were provided with the correct information on NOLs.

¹² Publication 536, Page 14, Worksheet Instructions, Line 5, clearly specified which items needed to be refigured in calculating an NOL carryover (thus requiring an update to include the tuition and fees deduction), whereas Form 1045, Page 6, Line 5, provided an inclusive, less definitive list of certain items to be refigured and did not require an update.

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the Internal Revenue Service (IRS) identified the new tax law provisions that have a significant impact on Wage and Investment (W&I) taxpayers and ensured that tax forms, instructions, and publications related to these new provisions were clearly and accurately updated for the 2003 Filing Season.¹

The audit focused on the education and retirement provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).² To accomplish our objective, we:

- I. Identified the tax law changes that could have a significant effect on returns filed by W&I taxpayers during the 2003 Filing Season by reviewing non-IRS and IRS information on recent tax legislation. Used the Congressional Budget Office cost estimates for the EGTRRA and the Job Creation and Worker Assistance Act of 2002³ provisions to identify the projected tax dollars that would be expended to implement these provisions. Used statistics from the United States (U.S) Bureau of Labor, U.S. Department of Education, and IRS Statistics of Income Division to estimate the numbers of taxpayers that could be affected by recent tax legislation.
- II. Determined if the IRS identified and controlled new and expiring tax legislation provisions affecting W&I taxpayers in its action plan by reviewing 71 action items from the IRS' Office of Tax Administration Coordination (OTAC) Legislative Implementation Tracking System and the Tax Forms and Publications Oracle Program Tracking System.
 - A. Reviewed the OTAC tracking system and identified 779 open action items as of September 26, 2002, that pertained to the EGTRRA provisions to be implemented between 2002 and 2011. An analysis of the 779 action items identified 100 pertaining to the education and retirement provisions with completion dates on or before December 31, 2002. After further analysis, identified 49 action items from this system that pertained to the education and retirement provisions, affected W&I taxpayers, and had completion dates on or before December 31, 2002.
 - B. Obtained and analyzed 234 action items pertinent to the education and retirement provisions of the EGTRRA from the Tax Forms Oracle system as of November 19, 2002. Using the same criteria as those used for the action items from the OTAC tracking system, identified 70 action items that met our criteria. Matched the 70 Tax Forms Oracle system action items to the 71 OTAC tracking system action

¹ The period from January through mid-April when most individual income tax returns are filed.

² Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, 115 Stat. 38 (2001).

³ Job Creation and Worker Assistance Act of 2002, Pub. L. No. 107-147, 116 Stat 21 (2002).

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items. Found that 48 were included on both systems, 22 were included in Tax Forms Oracle system but not in the OTAC tracking system, and 1 was included in the OTAC tracking system but not in the Tax Forms Oracle system, for a total of 71 action items reviewed. The 71 action items included 56 education provision items and 15 retirement provision items.

- III. Determined if the changes to the forms and instructions for the significant changes were clear and accurate by reviewing the 23 tax products (7 forms, 7 instructions, and 9 publications) included in the 71 action items from the OTAC tracking system and the Tax Forms Oracle system. See Appendix VI for this listing.
 - A. Reviewed the 23 tax products affected by the revisions to the education and retirement provisions to determine if the changes were clear and accurate.
 - B. Compared the 23 tax products affected by the education and retirement provisions to the actual tax legislation to determine if they were consistent with the law.

Major Contributors to This Report

Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs)

Gary L. Young, Acting Director

Steve E. Vandigriff, Acting Audit Manager

Tina M. Parmer, Senior Auditor

Cari D. Fogle, Auditor

Bonnie G. Shanks, Auditor

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Appendix III

Report Distribution List

Acting Commissioner N:C
Director, Customer Account Services W:CAS
Director, Customer Assistance, Relationships, and Education W:CAR
Director, Media and Publications W:CAR:MP:FP
Director, Strategy and Finance W:S
Director, Submission Processing W:CAS:SP
Director, Tax Administration Coordination N:ADC:T
Director, Tax Forms and Publications W:CAR:MP:FP
Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:AR:M
Audit Liaison:
 Program/Process Assistant Coordinator, Wage and Investment Division W:HR

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective action will have on tax administration. This benefit will be incorporated into our Semiannual Report to the Congress.

Type and Value of Outcome Measure:

Taxpayer Burden – Actual; one tax publication was not updated to include the new tuition and fees deduction (see page 4).

Methodology Used to Measure the Reported Benefit:

Analysis of both the Office of Tax Administration Coordination (OTAC) Legislative Implementation Tracking System and the Tax Forms and Publications Oracle Program Tracking System identified 71 specific actions that were required to revise tax products for the education and retirement provisions that affect Wage and Investment taxpayers. Review of these 71 specific actions included changes to 23 separate tax products (7 forms, 7 instructions, and 9 publications).

The revisions to each of the 23 tax products¹ must be consistent with the statute enacted by the Congress. Comparison of each tax product with the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)² education and retirement provisions determined that 22 of the 23 tax products were accurately revised. However, one publication omitted revisions related to the new education provisions.

Net Operating Losses (NOLs) for Individuals, Estates, and Trusts (Publication 536) had not been updated to reflect the new tuition and fees deduction included in the EGTRRA. This deduction must be included to correctly recalculate the amount of the NOL carryover to a subsequent year. The omission will affect those taxpayers who carry forward NOLs to TY 2003 and claim a tuition and fees deduction in TY 2002. It will also affect these taxpayers in future years if the NOL is not fully used in TY 2003.

¹ See Appendix VI for a listing of the tax products reviewed.

² Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, 115 Stat. 38 (2001).

**Economic Growth and Tax Relief Reconciliation
Act of 2001 Education and Retirement Provisions**

- Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)¹ Title IV, Affordable Education Provisions

The Title IV provisions could affect an estimated 15.6 million taxpayers² by providing tax benefits up to \$3.5 billion in Fiscal Year (FY) 2003.³ We focused on the following four provisions that we determined would have the greatest affect on Wage and Investment (W&I) taxpayers:

Sec. 401. Modifications to Coverdell Education Savings Accounts (ESA).

A Coverdell ESA is a trust or custodial account created or organized in the U.S. for the sole purpose of paying the qualified education expenses of a designated beneficiary under the age of 18 or with special needs. Non-deductible contributions are limited to \$2,000 cash per year per beneficiary. Earnings grow tax free until distributed.

Sec. 402. Modifications to Qualified Tuition Programs (QTP).

A QTP (also known as a 529 plan or program) is a program set up to allow taxpayers to either prepay, or contribute to an account established for paying, a student's qualified higher education expenses at an eligible educational institution. Contributions are not deductible and distributions are generally not taxable.

Sec. 412. Elimination of the 60-month limit and increase in income limitation on student loan interest deduction.

Taxpayers who paid interest on a student loan in 2002 may be able to deduct up to \$2,500 of the interest paid for themselves, their spouse, or their dependent. Beginning in 2002, taxpayers are no longer limited to deducting interest paid only during the first 60 months that interest payments are required.

¹ Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, 115 Stat. 38 (2001).

² National Center for Education Statistics, Projections of Education Statistics to 2012, May 2002, and United States (U.S.) Selected Income and Tax Items 1040, 1040A, and 1040EZ, Report Number R-S-92, January – September 2002.

³ Congressional Budget Office, *Pay-As-You-Go Estimate*, June 4, 2001.

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Sec. 431. Deduction for Higher Education Expenses.

Beginning in 2002, taxpayers may be able to deduct, as an adjustment to income, up to \$3,000 of qualified tuition and related expenses paid for higher education for themselves, their spouse, or their dependent. Taxpayers whose filing status is married filing separately cannot claim the deduction.

- **EGTRRA Title VI, Pension and Individual Retirement Arrangement (IRA) Provisions**

The Title VI provisions could affect an estimated 70.9 million taxpayers⁴ by providing tax benefits up to \$4.1 billion in FY 2003.⁵ We focused on the following three provisions that we determined would have the greatest affect on W&I taxpayers:

Sec. 601. Modification of IRA Contribution Limits.

An IRA is a personal savings plan that provides tax advantages for setting aside money for retirement. Contributions to an IRA may be fully or partially deductible depending on the type of IRA instrument used. Generally, earnings and gains are not taxed until distributed. In 2002, the contribution limits for traditional and Roth IRAs were increased from \$2,000 to \$3,000 for taxpayers under 50 and from \$2,000 to \$3,500 for taxpayers 50 or older.

Sec. 618. Nonrefundable credit to certain individuals for elective deferrals and IRA contributions.

Beginning in 2002, taxpayers may be able to take a tax credit of up to \$1,000 (up to \$2,000 if filing jointly) for eligible contributions to a qualified retirement plan, an eligible deferred compensation plan, or an IRA. Taxpayers must have adjusted gross incomes less than \$25,000 for single, \$37,500 for head of household, and \$50,000 for married filing jointly filers.

Sec. 631. Catch-up contributions for individuals age 50 or over.

This section amends Internal Revenue Code Section 414 (relating to definitions and special rules) and places limits on additional elective deferrals to a retirement plan for a given year.

⁴ National Center for Education Statistics, Projections of Education Statistics to 2012, May 2002, and U.S. Selected Income and Tax Items 1040, 1040A, and 1040EZ, Report Number R-S-92, January – September 2002.

⁵ Congressional Budget Office, *Pay-As-You-Go Estimate*, June 4, 2001.

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Appendix VI

List of Tax Products Reviewed

Tax Forms	
Tax Product	Title
1. Form 1040	United States (U.S.) Individual Income Tax Return
2. Form 1040A	U.S. Individual Income Tax Return
3. Form 3468	Investment Credit
4. Form 5329	Additional Taxes on Qualified Plans (including Individual Retirement Arrangements (IRA)) and Other Tax-Favored Accounts
5. Form 8606	Nondeductible IRAs
6. Form 8863	Education Credits
7. Form 8880	Credit for Qualified Retirement Savings Contributions
Tax Instructions	
Tax Product	Title
1. F1040 Instructions	U.S. Individual Income Tax Return
2. F1040A Instructions	U.S. Individual Income Tax Return
3. F1040EZ Instructions	U.S. Individual Income Tax Return
4. F5329 Instructions	Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts
5. F8606 Instructions	Nondeductible IRAs
6. F8815 Instructions	Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989
7. F8863 Instructions	Education Credits

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Tax Publications		
	Tax Product	Title
1.	Publication 17	<i>Your Federal Income Tax (For Individuals)</i>
2.	Publication 225	<i>Farmer's Tax Guide</i>
3.	Publication 517	<i>Social Security and Other Information for Members of the Clergy and Religious Workers</i>
4.	Publication 525	<i>Taxable and Nontaxable Income</i>
5.	Publication 536	<i>Net Operating Losses (NOLs) for Individuals, Estates, and Trusts</i>
6.	Publication 590	<i>Individual Retirement Arrangements (IRAs)</i>
7.	Publication 678	<i>Volunteer Assistor's Guide, Volunteer Income Tax Assistance (VITA) Student Text</i>
8.	Publication 970	<i>Tax Benefits for Higher Education</i>
9.	Publication 1155	<i>Volunteer Assistor's Guide, VITA Instructor Guide</i>

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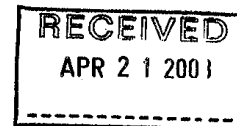
Appendix VII

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

April 21, 2003



MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR
TAX ADMINISTRATION

FROM: *John M. Dalrymple*
John M. Dalrymple
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Forms and Publications for the New
Education and Retirement Tax Provisions Were
Addressed for the 2003 Filing Season
(Audit # 200240062)

I reviewed the draft audit report relating to our implementation of education and retirement provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Your report recognizes our overall success in identifying and controlling the new education and retirement provisions of EGTRRA. However, you found that we had not updated the 2002 Publication 536¹ to reflect the new tuition and fees deduction. This deduction must be included to correctly recalculate the amount of the net operating loss (NOL) carryover for tax year 2003 and subsequent years. Fortunately, the omission will not affect taxpayers who claim NOLs on their tax year 2002 returns or carry back NOLs to prior years. We have updated Publication 536 to reflect the new tuition and fees deduction.

Our corrective actions are included in the attachment. If you need any additional information, please let me know or contact Denise S. Fayne, Director, Tax Forms and Publications at (202) 622-9375.

Attachment

¹ Net Operating Losses (NOLs) for Individuals, Estates, and Trusts.

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Attachment

Our comments on your recommendations are as follows:

RECOMMENDATION

The Commissioner, W&I Division, should ensure Publication 536 is properly updated to reflect the new tuition and fees deduction.

CORRECTIVE ACTIONS

1. Revise the 2002 revision of Publication 536 available on the IRS website to add the tuition and fees deduction to the list of items to be refigured for line 5 of the worksheet for computing NOL carryover from 2002 to 2003.

IMPLEMENTATION DATE
COMPLETED March 18, 2003

RESPONSIBLE OFFICIAL
Director, Tax Forms and Publications

2. Notify Taxpayer Assistance Centers of the correction to ensure they provide taxpayers with the correct information on NOLs.

IMPLEMENTATION DATE
COMPLETED March 19, 2003

RESPONSIBLE OFFICIAL
Director, Tax Forms and Publications

3. Revise the 2003 version of Publication 536 to add the tuition and fees deduction to the list of items to be refigured for line 5 of the worksheet for computing NOL carryover from 2003 to 2004.

IMPLEMENTATION DATE
COMPLETED March 18, 2003 (the draft of the 2003 revision of Publication 536 includes the correction)

RESPONSIBLE OFFICIAL
Director, Tax Forms and Publications

**Forms and Publications for the New Education and Retirement
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2

CORRECTIVE ACTION MONITORING PLAN

Publication 536 is updated annually to reflect new tax law, technical guidance, and other changes and provides additional information for taxpayers filing Form 1045, Application for Tentative Refund with their Form 1040, U.S. Individual Income Tax Return. The 2002 revision of Publication 536 on our website was revised, Taxpayer Assistance Centers were notified, and the 2003 draft version of Publication 536 was corrected. No further monitoring plan is needed. All actions have been completed.